

## **Program A: Mineral Resources Management**

Program Authorization: La. Const. Article IX, Sec. 3 - 6; R.S. 36:351; R.S. 30:121

### **PROGRAM DESCRIPTION**

The State of Louisiana holds title to vast areas of land and water bottoms which produce or have the potential to produce minerals (primarily oil and gas). Leasing of these areas for mineral production provides a large revenue source for the state. The Mineral Resources Management Program provides staff support to the State Mineral Board which ensures that the state is obtaining the highest possible returns from the leasing of these lands. The mission of this program is to provide staff support to the State Mineral Board in granting and administering leases on state-owned lands and waterbottoms for the production and development of minerals, primarily oil and gas. The goal of this program is to support the Mineral Board and to ensure that the state-owned lands and water bottoms produce an optimal return on investments for the State of Louisiana annually. There is one activity in this program: Mineral Resources Management.

### **OBJECTIVES AND PERFORMANCE INDICATORS**

Unless otherwise indicated, all objectives are to be accomplished during or by the end of FY 2001-2002. Performance indicators are made up of two parts: name and value. The indicator name describes what is being measured. The indicator value is the numeric value or level achieved within a given measurement period. For budgeting purposes, performance indicator values are shown for the prior fiscal year, the current fiscal year, and alternative funding scenarios (continuation budget level and Executive Budget recommendation level) for the ensuing fiscal year (the fiscal year of the budget document).

1. (KEY) To hold the percentage of leased acreage in active mineral production at no less than 33.4% of total acreage leased.

Strategic Link: Goal I; Objective 1.1 This operational objective is an incremental step towards accomplishing Strategic Objective 1.1: To aggressively develop the Leasing Program productive acreage on state owned land and waterbottoms by 1%.

L E V E L	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1999-2000	ACTUAL YEAREND PERFORMANCE FY 1999-2000	ACT 11 PERFORMANCE STANDARD FY 2000-2001	EXISTING PERFORMANCE STANDARD FY 2000-2001	AT CONTINUATION BUDGET LEVEL FY 2001-2002	AT RECOMMENDED BUDGET LEVEL FY 2001-2002
K	Percentage of total leased acreage in production	33.0%	39.5%	38.0%	36.1%	37.1%	33.4%
S	Total leased acreage	1,295,000	1,048,112	1,200,000	1,100,000	1,175,000	1,057,500
S	Leased acreage in production	425,000	413,928	425,000	397,100	435,925	353,205

2. (KEY) To hold the percentage of royalties audited to 24.8% of all royalties paid.

Strategic Link: This objective is an incremental step towards accomplishing Strategic Objective 1:2 *To increase the percentage of royalties audited to total royalties paid by 1%.*

L E V E L	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1999-2000	ACTUAL YEAREND PERFORMANCE FY 1999-2000	ACT 11 PERFORMANCE STANDARD FY 2000-2001	EXISTING PERFORMANCE STANDARD FY 2000-2001	AT CONTINUATION BUDGET LEVEL FY 2001-2002	AT RECOMMENDED BUDGET LEVEL FY 2001-2002
K	Percentage of total royalties paid which are audited	27.0%	28.2%	28.0%	26.6%	27.6%	24.8%
S	State audit exceptions billed (millions)	\$15.00	\$24.00	\$15.00	\$14.25	\$11.00 <sup>1</sup>	\$9.90

<sup>1</sup> The program indicates that the loss of two veteran employees during FY 01 will result in this reduction due to the time required and train new auditors to replace them.

## RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1999- 2000	ACT 11 2000 - 2001	EXISTING 2000 - 2001	CONTINUATION 2001 - 2002	RECOMMENDED 2001 - 2002	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$0	\$0	\$0	\$3,975,185	\$3,424,842	\$3,424,842
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	10,193,170	10,209,490	9,365,024	2,102,124	3,492,000	(5,873,024)
Statutory Dedications	837,132	1,400,000	3,052,133	2,400,000	1,200,000	(1,852,133)
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	89,887	129,997	129,997	129,997	129,997	0
TOTAL MEANS OF FINANCING	<b>\$11,120,189</b>	<b>\$11,739,487</b>	<b>\$12,547,154</b>	<b>\$8,607,306</b>	<b>\$8,246,839</b>	<b>(\$4,300,315)</b>
EXPENDITURES & REQUEST:						
Salaries	\$2,832,308	\$2,369,703	\$2,637,908	\$2,738,827	\$2,664,081	\$26,173
Other Compensation	195,292	20,394	20,394	20,394	20,394	0
Related Benefits	660,936	432,200	432,200	445,319	451,826	19,626
Total Operating Expenses	514,004	603,437	603,437	612,609	582,793	(20,644)
Professional Services	237,132	1,020,000	1,452,133	820,000	620,000	(832,133)
Total Other Charges	6,665,100	7,242,899	7,350,228	3,970,157	3,907,745	(3,442,483)
Total Acq. & Major Repairs	15,417	50,854	50,854	0	0	(50,854)
TOTAL EXPENDITURES AND REQUEST	<b>\$11,120,189</b>	<b>\$11,739,487</b>	<b>\$12,547,154</b>	<b>\$8,607,306</b>	<b>\$8,246,839</b>	<b>(\$4,300,315)</b>
AUTHORIZED FULL-TIME EQUIVALENTS: Classified	80	70	76	76	69	(7)
Unclassified	1	1	1	1	1	0
TOTAL	<b>81</b>	<b>71</b>	<b>77</b>	<b>77</b>	<b>70</b>	<b>(7)</b>

## SOURCE OF FUNDING

This program is funded with State General Fund Direct, Fees and Self-generated Revenues, Statutory Dedications, and Federal Funds. The Fees and Self-generated Revenues are derived from the following: (1) assessing a 10% fee on the bonus amount for each lease awarded; (2) assessing a \$100 fee for each assignment and \$500 for each unitization proposal or other instrument requiring advertisement; (3) assessing fees for geophysical permits; (4) assessing fees or liquidated damages as specified in certain lease forms for failure to timely submit releases of leases and production on unleased acreage; (5) assessing a fee of \$35 per hour for staff time required to process claims for refunds of overpayment of royalties caused by the payer's errors; (6) assessing a fee for reproduction expenses; (7) assessing a fee of \$120 per year for each subscription for Notices of Publication which describe tracts being offered for lease and contain lease sale results and other special notices; (8) assessing a fee of \$200 for mineral lease nominations; (9) assessing a 10% late royalty payment penalty; (10) assessing a

5% incorrect royalty reporting penalty; (11) the sale of lease maps; and (12) assessing a \$100 per day penalty for late assignments. These Self-generated Revenues provide for the operational expenses of this office. The Statutory Dedications are derived from the Legal Support fund per Act 1293 of 1995 and the Mineral Audit and Collection Fund per Act 673 of 1997. (Per R.S. 39:32B. (8), see table below for a listing of expenditures out of each statutory dedicated fund.) The Federal Funds are derived from the Department of Interior's Mineral Management Service.

	ACTUAL 1999- 2000	ACT 11 2000 - 2001	EXISTING 2000 - 2001	CONTINUATION 2001 - 2002	RECOMMENDED 2001 - 2002	RECOMMENDED OVER/(UNDER) EXISTING
Legal Support Fund	\$237,132	\$800,000	\$1,452,133	\$800,000	\$600,000	(\$852,133)
Mineral Audit and Collection Fund	\$600,000	\$600,000	\$1,600,000	\$1,600,000	\$600,000	(\$1,000,000)

## ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
<b>\$0</b>	<b>\$11,739,487</b>	<b>71</b>	<b>ACT 11 FISCAL YEAR 2000-2001</b>
			<b>BA-7 TRANSACTIONS:</b>
\$0	\$652,133	0	Carry forward BA-7 for the payment of contracts that were not completed prior to July 1, 2000
\$0	\$0	0	A technical BA-7 reducing Fees and Self-generated Revenues by \$1.0M and increasing Statutory Dedications - Mineral Resources Audit and Collection Fund by \$1.0M to reclassify seismic permit fees
\$0	\$155,534	6	Restored (6) six positions in the Office of Mineral Resources - Leasing, Field Audit, Revenue Collection and Geology Sections
<b>\$0</b>	<b>\$12,547,154</b>	<b>77</b>	<b>EXISTING OPERATING BUDGET – December 15, 2000</b>
\$46,583	\$46,583	0	Annualization of FY 2000-2001 Classified State Employees Merit Increase
\$67,455	\$67,455	0	Classified State Employees Merit Increases for FY 2001 -2002
\$0	(\$20,644)	0	Risk Management Adjustment
\$0	(\$50,854)	0	Non-Recurring Acquisitions & Major Repairs
\$0	(\$652,133)	0	Non-Recurring Carry Forwards
\$140,634	\$140,634	0	Salary Base Adjustment
(\$64,711)	(\$64,711)	(3)	Attrition Adjustment
(\$163,144)	(\$163,144)	(4)	Personnel Reductions
(\$168,108)	(\$168,108)	0	Salary Funding from Other Line Items
(\$828)	(\$828)	0	Civil Service Fees
\$0	\$4,821	0	State Treasury Fees
\$0	(\$3,364,892)	0	Reduction in Fees and Self-generated revenues that were IAT to the Office of the Secretary for indirect cost
\$18,982	\$18,982	0	Funding provided for retirees insurance premium
\$0	(\$105,074)	0	Reduction in expenditures to actual spending level
\$461,598	\$461,598	0	Funding provided for rent expense being transferred to the Office of the Secretary for move to the LaSalle Building

\$0	(\$450,000)	0	Reduce Legal Support Fund to Revenue Estimating Conference projection for FY 2001-2002
\$3,086,381	\$0	0	Net Means Of Financing Substitutions - Replace Fees and Self-generated Revenues with General Fund for operational support
\$0	\$0	0	Net Means Of Financing Substitutions - Replace Statutory Dedications with Fees and Self-generated Revenues due to the decline in seismic fee projections
<b>\$3,424,842</b>	<b>\$8,246,839</b>	<b>70</b>	<b>GRAND TOTAL RECOMMENDED</b>

## PROFESSIONAL SERVICES

\$600,000	Legal services to pursue recovery of mineral underpayments per Act 1293 of 1995
\$20,000	Computer consultation relative to the royalty accounting and leasing information systems

**\$620,000 TOTAL PROFESSIONAL SERVICES**

## OTHER CHARGES

\$1,047,667	Upgrade royalty accounting and leasing information systems computer for the Department
\$3,395	Recordation of leases and other documents for re-leasing of state acreage
\$30,000	Continuing education of professional employees to maintain certification in their respective fields
\$394,092	Upgrade computer system with GIS software for digital mapping and spatial analysis for the Department

**\$1,475,154 SUB-TOTAL OTHER CHARGES**

### Interagency Transfers:

\$71,143	DNR - Secretary - Executive Program - indirect cost of the legal section for services rendered
\$2,107,455	DNR - Secretary - Management and Finance Program - indirect cost for administrative services and data processing
\$200,000	LSU - Louisiana Geological Survey
\$50,000	Division of Administration - Office of State Lands for lease preparation
\$3,993	Civil Service Adjustment

**\$2,432,591 SUB-TOTAL INTERAGENCY TRANSFERS**

**\$3,907,745 TOTAL OTHER CHARGES**

## **ACQUISITIONS AND MAJOR REPAIRS**

This program does not have funding for Acquisitions and Major Repairs for Fiscal Year 2001-2002.